

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D.C.



REPLY TO
ATTN OF:

OSA-2318-66
#A-85-66 Suppl. #1

SUBJECT:

REPLY TO:
Audit Liaison Office
P. O. Box 8155
S. W. Station
Washington, D. C.

TO:

21 June 1966

SUBJECT: Advisory Report on Evaluation of Price Proposal
Lockheed Aircraft Corp.
(Lockheed-California Company)
Burbank, California
Contract No. SP-1928

Group see with [redacted] for [redacted] [redacted]

STATINTL

TO : Contracting Officer

REF : 6 Apr 66 OSA-1510-66 Report #A-85-66

1. Paragraph 6 of reference stated, "The ADP rates used by the contractor and auditor are the rates for 1965 and 1966 as negotiated in October 1965 for use with this contract." On 6 April 1966 when our initial report was issued, we were aware of significant differences between the October 1965 negotiated rates and the book actual rates for 1965. Also, at the October 1965 negotiation, it was agreed that, "1966 rates will be used for forward pricing of minor contracts such as, SP-1928 and other miscellaneous proposals . . . , submitted by 31 December 1965."

STATINTL

2. The LAC revised proposal of 21 February 1966 totaled [redacted] It was not a minor value proposal. However, the initial audit report amounts were based on use of the October 1965 negotiation letter rates since those rates were the latest negotiated and approved.

Subsequent to the date of report issuance, more realistic and current rates have been proposed, evaluated and agreed upon for 1966 forward pricing. These rates plus revision of the October 1965 negotiated rates to the 1965 actual book rates, adjusted for ASPR, Section XV unallowables, have been agreed upon and incorporated into a revised contract target price. This supplement confirms the auditor's acceptance of the revised target price.

STATINTL

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4. For the record, a comparison of the initial evaluation report and supplemental evaluation report overhead/G & A rates follows:

<u>Rate (Hourly)</u>	<u>LAC's Rates</u>	<u>Evaluation Report</u>			
		<u>Initial</u>		<u>Supplemental</u>	
		<u>1965</u>	<u>1966</u>	<u>1965</u>	<u>1966</u>

Engineering
Manufacturing
G & A

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STATINTL

STATINTL

5. The effects resulting from the cost increase due to rates is summarized as follows:

Contractor's	Negotiated
21 Feb 66	Target and
Revised Proposal	Ceiling for
<u>for 7 Units, etc.</u>	<u>7 Units, etc.</u>

Total Estimated Target Cost
Adjustment due to Overhead Rate
Total Estimated Target Cost
Profit
Total Target Price
Total Ceiling Price

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STATINTL

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Arthur G. Hanley
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Auditor General Representative (APL)